

INDIAN RIVER SCHOOL DISTRICT
AGREED-UPON PROCEDURES ON CONSTRUCTION PROJECTS
FOR THE YEAR ENDED JUNE 30, 2005

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Lois M. Hobbs
Indian River School District
31 Hoosier Street
Selbyville, Delaware

Subject: Indian River School District Construction Projects

We have performed the procedures enumerated below, which were agreed to by Indian River School District; State of Delaware Auditor of Accounts; and the State of Delaware, Department of Education; solely to assist the specified parties with respect to determining the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by their District for the year ended June 30, 2005, included in Exhibit A. Indian River School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards* [GAS (2003)] issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by the GAS (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine whether the school district complied with any recommendations made in the prior fiscal year's construction project engagement.

The status of the prior year recommendation is as follows:

04-01 FINDING - During completion of Indian River School District's construction program and project checklists for Richard Allen School renovations, it was noted that federal funds, CFDA #84.352 School Renovation Grants, were inappropriately spent on Richard Allen renovations. This particular grant was to be spent on the specific schools mentioned in the grant, which did not include Richard Allen. The total of federal funds spent on Richard Allen was \$ 58,265.

RECOMMENDATION - We recommend that the Indian River School District return the federal funds that were spent on the Richard Allen renovations.

CURRENT YEAR STATUS - No action has been taken. Indian River School District disagreed with the finding and the State Department of Education has not pursued this issue with the District.

2. Complete the State of Delaware Auditor of Accounts construction program and project checklists to determine whether the school district's construction project records and files were in compliance and expenditures were made in accordance with the intent of the project scope mandated by the General Assembly, the Department of Education and the Local Board of Education.

Except for the following findings, our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

- 05-01 FINDING - During completion of Indian River School District's construction program and project checklists for Lord Baltimore renovations, it was noted that approval of the construction plans, specifications and cost estimates from Division of Facilities Management was not obtained prior to bid advertisements as required by Delaware Code, Title 29, Section 7419(a). Personnel were unable to determine if such approval was requested.

RECOMMENDATION - Procedures should be established by the Indian River School District to ensure that proper approvals of construction plans, specifications and cost estimates are obtained in accordance with the guidelines established by the State of Delaware.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the policies and procedures promulgated within the statutory regulations, policy manuals and procedural manuals. The Indian River School District has communicated this concern to the project's architect and requested documentation to substantiate compliance with this requirement immediately."

- 05-02 FINDING - During completion of Indian River School District's construction program and project checklists for Lord Baltimore renovations, it was noted that approval of the construction project was not obtained from the Architectural Accessibility Board as required by Delaware Code, Title 29, Section 7308(a). Personnel were unable to determine if such approval was requested.

RECOMMENDATION - Procedures should be established by the Indian River School District to ensure that proper approvals from the Architectural Accessibility Board are obtained in accordance with the guidelines established by the State of Delaware.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the policies and procedures promulgated within the statutory regulations, policy manuals and procedural manuals. The Indian River School District has communicated this concern to the project's architect and requested documentation to substantiate compliance with this requirement immediately."

- 05-03 FINDING - During completion of Indian River School District's construction program and project checklists for Phillip Showell Elementary renovations, it was noted that the District failed to notify the Department of Education, the State Budget Director, the Insurance Coverage Office, and the State Auditor of final completion as required by the School Construction Technical Assistance Manual, Sections 2, 5.2 and 5.3.

RECOMMENDATION - Indian River School District should notify the required State agencies of the final completion of this project.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the accountant's recommendations."

- 05-04 FINDING - During completion of Indian River School District's construction program and project checklists for Phillip Showell Elementary renovations, it was noted that the District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by Delaware Code, Title 29, Section 507(b).

RECOMMENDATION - The District should submit the archival-quality copies to Delaware Public Archives and establish procedures to ensure the copies are submitted upon completion of all projects.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the accountant's recommendations."

- 05-05 FINDING - During completion of Indian River School District's construction program and project checklists for New Indian River High School South construction, it was noted that the District had not maintained the proper certificates outlined by contract specifications such as certifications on concrete tests, metal stress and/or special tempers, alloys, etc. on file as required by the State of Delaware Budget and Accounting Policy Manual, XII.D.3.q.

RECOMMENDATION - The Indian River School District should obtain the proper certificates for this project and establish procedures to ensure that proper certifications outlined by contract specifications are maintained for each construction project.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the accountant's recommendations and will adhere with the policies and procedures promulgated within the statutory regulations, policy manuals and procedural manuals. The Indian River School District has communicated this concern to the project's construction manager and has been assured that the documentation to substantiate compliance with this requirement has been submitted to the District."

- 05-06 FINDING - During completion of Indian River School District's construction program and project checklists for Frankford Elementary renovations, New Indian River High School North Construction, New Indian River High School South Construction, East Millsboro Elementary renovations, and Georgetown Middle School renovations, it was noted the District failed to submit the proper documentation to the Department of Education as required by the School Construction Technical Assistance Manual, Section 2, 7.2.1. The manual states that submission of a change order must include the following documents: completed purchase order as applicable, local board of education minutes identifying and approving the changes, completed AIA document G701, and correspondence that gives a breakdown in materials mark-up and other expenses. Personnel were only submitting the purchase order modifications or encumbrance adjustments.

RECOMMENDATION - Procedures should be established by the Indian River School District to ensure that the proper documentation accompanies purchase orders submitted to the Department of Education.

05-06 DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Indian River School District will adhere with the accountant's recommendations and will adhere with the policies and procedures promulgated within the statutory regulations, policy manuals and procedural manuals. However, it should be notated in the respective response that the Delaware Department of Education did specify that '...the process is that each individual school district must have a change order review and authorization procedure in place. The PO mods and AIA G701 being sent to DOE is informational only, so we (DOE) can have a sense of what is happening with individual projects. School districts handle the daily construction accounting, not DOE.' Therefore, having retired that, the Indian River School District has formally adopted a review and authorization procedures and does adhere to those stipulations."

05-07 OBSERVATION - Based upon layman's terms and observations, obvious construction flaws or unprofessional workmanship was noted in two of Indian River School District's construction projects.

On the Lord Baltimore renovations project, Indian River School District believes there was unsatisfactory performance by an architectural firm in regard to the site evaluation. The District is considering its options of corrective actions.

On the New Indian River School District North project, Indian River School District believes that a mechanical contractor failed to complete their contract. The District has started litigation proceedings against the contractor and its bond company seeking monetary relief for the additional funds spent in order to have another contractor complete this contract.

3. Be alert to situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds.

During completion of the construction program and project checklists, no fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds were noted.

4. Prepare the school district's Schedule of Construction Projects Inspected for Fiscal Year 2005.

See Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Indian River School District management and Board Members, Department of Education, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, Department of Finance, and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002 (d), this report is a public record and its distribution is not limited.

INDIAN RIVER SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS INSPECTED
FOR THE YEAR ENDED JUNE 30, 2005

PROJECT NAME	YEAR	ORIGINAL FUNDING AMOUNT	DEAUTH./ FUNDING AMOUNT	TOTAL PROJ. FUND. LIFE TO DATE	EXPENDED CURRENT FY	EXPENDED PRIOR FY	TOTAL PROJ. EXPEND. LIFE TO DATE	TOTAL UNSPENT
New High School - South	2001	\$ 1,576,700	\$ -	\$ 1,576,700	\$ -	\$ 1,576,700	\$ 1,576,700	\$ -
	2002	11,237,167	88,050 *	11,325,217	2,956,973	8,052,462	11,009,435	315,782
	2003	8,465,100	-	8,465,100	2,758,368	5,513,925	8,272,293	192,807
	2004	2,946,200	-	2,946,200	2,173,722	680,939	2,854,661	91,539
New High School - North	2001	1,576,700	-	1,576,700	-	1,576,700	1,576,700	-
	2002	13,947,700	-	13,947,700	1,633,645	12,300,205	13,933,850	13,850
	2003	11,623,200	-	11,623,200	3,703,315	7,660,348	11,363,663	259,537
	2004	4,133,300	-	4,133,300	2,760,444	992,706	3,753,150	380,150
Georgetown Elem. School Renovations	2001	35,800	-	35,800	-	35,800	35,800	-
	2002	517,300	-	517,300	-	517,300	517,300	-
	2004	-	41,550 **	41,550	-	41,550	41,550	-
Phillip C. Showell Elem. School Renovations	2001	60,000	-	60,000	-	60,000	60,000	-
	2002	880,500	(88,050) *	792,450	82,339	710,111	792,450	-
	2003	900	-	900	-	900	900	-
Frankford Elementary Renovations	2003	1,600,400	-	1,600,400	19,911	46,964	66,875	1,533,525
	2005	557,700	-	557,700	-	-	-	557,700
East Millsboro Elementary Renovations	2003	1,694,500	-	1,694,500	202,104	48,049	250,153	1,444,347
	2005	915,200	-	915,200	-	-	-	915,200
Education Complex Renovations	2004	445,800	-	445,800	6,840	-	6,840	438,960

See independent accountant's report on applying agreed-upon procedures.

INDIAN RIVER SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS INSPECTED - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005

PROJECT NAME	YEAR	ORIGINAL FUNDING AMOUNT	DEAUTH./ FUNDING AMOUNT	TOTAL PROJ. FUND. LIFE TO DATE	EXPENDED CURRENT FY	EXPENDED PRIOR FY	TOTAL PROJ. EXPEND. LIFE TO DATE	TOTAL UNSPENT
Lord Baltimore Elementary Renovations	2004	\$ 803,800	\$ -	\$ 803,800	\$ 503,327	\$ 107,528	\$ 610,855	\$ 192,945
	2005	6,584,500	-	6,584,500	2,852	-	2,852	6,581,648
John M. Clayton Renovations	2004	1,435,800	-	1,435,800	5,520	-	5,520	1,430,280
	2005	1,465,500	-	1,465,500	-	-	-	1,465,500
Georgetown Middle School Renovations	2004	677,800	-	677,800	654,467	23,333	677,800	-
	2005	12,572,000	-	12,572,000	180,457	-	180,457	12,391,543
Millsboro Middle School Renovations	2004	564,800	-	564,800	14,429	108	14,537	550,263
	2005	542,200	-	542,200	-	-	-	542,200
TOTAL		\$ 86,860,567	\$ 41,550	\$ 86,902,117	\$ 17,658,713	\$ 39,945,628	\$ 57,604,341	\$ 29,297,776

* Transfer of funds from Phillip C. Showell Elementary School to New High School - South.

** Transfer of funds from Ennis School to Georgetown Elementary School.

See independent accountant's report on applying agreed-upon procedures.